

1. Concept Role and Functions of Human Resource Management

In simple words Human Resources Management (HRM) is a management function that deals with recruiting, selecting, training and developing human resources in an organization. It is concerned with "people" dimension in management. It is planning, acquiring, developing, utilizing and maintaining 'human resources' in the achievement of organizational goals.

Human Resource Management is also known as personnel management, manpower management, personnel administration, staff management etc.

Why we call it as Human Resource Management?

Human: refers to the skilled workforce in an organization.

Resource: refers to limited availability or scarce.

Management: refers how to optimize and make best use of such limited or scarce resource so as to meet the organization goals and objectives.

“According to Boxall and Purcell (2003) "Human resource management can be defined as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations."

According to Watsona (2010) 'all those activities associated with the management of employment relationships in the firm'

According to Indian Institute of Personnel Management "Human Resources Management is a responsibility of all those who manage people as well as description of the work of those who are employed as specialists."

It is part of the management which is concerned with people at work and with their relationships with in an enterprise. It applies not only to industries and commerce but all fields of employment.

“According to Miner and Miner "Human Resources management is the process of developing, analyzing and evaluating policies, procedures, methods and programme relating to individual in the organization."

Therefore clear that human resources management is a specialized knowledge and practice concerned with the management of human resources in an organization.

Human Resources System

Human resource management operates through human resource systems that bring together in a coherent way :

- *HR philosophies* describing the overarching values and guiding principles adopted in managing people.
- *HR strategies* defining the direction in which HRM intends to go.
- *HR policies*, which are the guidelines defining how these values, principles and the strategies should be applied and implemented in specific areas of HRM.
- *HR processes* consisting of the formal procedures and methods used to put HR strategic plans and policies into effect.
- *HR practices* comprising the informal approaches used in managing people.
- *HR programs*, which enable HR strategies, policies and practices to be implemented according to plan.

Objectives of Human Resource Management

In order to achieve organizational objectives integration of employer's interest and employee interests is necessary. In this light, the objectives of human resource management may be summarized as follows :

- (i) To help the organization attain its goals by providing well-trained and well-motivated employees.
- (ii) To employ the skills and knowledge of employees efficiently and effectively, i.e. to utilize human resources effectively.
- (iii) To enhance job satisfaction and self-actualisation of employees by encouraging and assisting every employee to realise his/her full potential.
- (iv) To establish and maintain productive, self-respecting and internally satisfying working relationships among all the members of the organization.
- (v) To bring about maximum individual development of members of the organization by providing opportunities for training and advancement.
- (vi) To secure the integration of all the individuals and groups with the organization by reconciling individual/group goals with those of an organization.
- (vii) To develop and maintain a quality life (QWL) which makes employment in the organization a desirable personal and social situation.
- (viii) To maintain high morale and good human relations within the organization.
- (ix) To help maintain ethical policies and behaviour inside and outside the organization.
- (x) To manage change to the mutual advantage of individuals, groups, the organization and the society.
- (xi) To recognize and satisfy individual needs and group goals by offering appropriate monetary and nonmonetary incentives.

Characteristics and Nature of Human Resources Management



1. People Oriented : Human resources are people oriented. It is focus with the management of human resources of an organization. It is related to task of bringing people and organization together.

2. The Diversity of HRM : These characteristics of HRM are by no means universal. There are many models, and practices within different organizations are diverse, often only corresponding to the conceptual version of HRM in a few respects.

3. The Strategic Nature of HRM : Perhaps the most significant feature of HRM is the importance attached to strategic integration, which flows from top management's vision and leadership, and which requires the full commitment of people to it.

This is a key policy goal for HRM, which is concerned with the ability of the organization to integrate HRM issues into its strategic plans, to ensure that the various aspects of HRM cohere, and to encourage line managers to incorporate an HRM perspective into their decision-making.

4. An Integral Part of Management : It is very much a part of every line of manager's responsibility. Every member of the management group from top to down must be an effective "personnel administrator" because it depends on the good productive efforts of his subordinates.

5. Comprehensive Function : It covers all type of people at all level of the organization and it applies to workers, supervisors, officers, and managers.

6. Individualistic : HRM is individualistic in that it emphasizes the importance of maintaining links between the organization and individual employees in preference to operating through group and representative systems.

7. Pervasive Responsibility : Human resources management is all pervasive, transcends all other managerial functions. HR manager plans, staff, organize, directs and control necessarily accomplish these function through people and applies them to people.

8. Focus on Business Values : The concept of HRM is largely based on a management and business-oriented philosophy. It is concerned with the total interests of the organization. The interests of the members of the organization are recognized but subordinated to those of the enterprises.

Importance of Human Resource Management

1. **Significance for an Enterprise :** Human Resource Management can help an enterprise in achieving its goals more efficiently and effectively in the following ways :
 - (a) Attracting and retaining the required talent.
 - (b) Developing the necessary skills and right attitudes among the employees.
 - (c) Securing willing cooperation of employees through motivation, participation, grievance handling.
 - (d) Utilizing effectively the available human resources.
 - (e) Ensuring that the enterprise will have in future a team of competent and dedicated employees.
2. **Professional Significance :** It contributes to professional growth in the following ways :
 - (a) Providing maximum opportunities for personal development of each employee.
 - (b) Maintaining healthy relationships among individuals and different work groups.
 - (c) Allocating work properly.
3. **Social Significance :** It helps to enhance the dignity of labor in the following ways:
 - (a) Providing suitable employment that provides social and psychological satisfaction to people.
 - (b) Maintaining a balance between the jobs available and the jobseekers in terms of numbers, qualifications, needs and aptitudes.
 - (c) Eliminating waste of human resources through conservation of physical and mental health.
4. **National Significance :** The level of development in a country depends primarily on human resources helps to speed up the process of economic growth leads to higher standards of living and fuller employment.

Personnel Management

Personnel Management is a part of management that deals with the recruitment, hiring, staffing, development, and compensation of the workforce and their relation with the organization to achieve the organizational objectives. The primary functions of the personnel management are divided into two categories :

- **Operative Functions :** The activities that are concerned with procurement, development, compensation, job evaluation, employee welfare, utilization, maintenance and collective bargaining.
- **Managerial Function :** Planning, Organizing, Directing, Motivation, Control, and Coordination are the basic managerial activities performed by Personnel Management.

Human Resources management V/S Personnel Management

- Personnel Management is a traditional approach of managing people in the organization. While human resources are a modern approaches of managing people and their strengths in the organization.
- Personnel management focuses on the personnel administration, employee welfare, and labor relation. While HRM focuses on acquisition, development, motivation, and maintenance of human resources in the organization.
- Personnel management assumes people as a input for achieving desired output while HRM assumes people as an important and valuable resources for achieving output.
- Personnel management is undertaken for employee's satisfaction. While HRM administrative function is undertaken for goal achievement.
- Under personnel management job design is done on the basis of division labour. Under HRM job design function is done on the basis of Group work / Team work.
- Under personnel management employees are provided with less training and development opportunities. While under human resources management employees are provided with more training and development opportunities.
- In personnel management decision are made by the top management as per rule and regulations while HRM decision are made collectively after considering employees participation, authority, decentralization competitive environment.
- Personnel management focuses on increase production and satisfaction of employees. While HRM focuses on effectiveness, culture, productivity and employee participation.
- Personnel management is concerned with personnel manager while HRM is concerned with all level of managers from top to bottom.
- Personnel management is a routine function while HRM is a strategic function.

Role of HRM

- As a Specialist and Counselor
- As a Controller
- As an Information Source
- As an Intellectual
- As a leader
- As a Problem Solver's
- As a welfare

Internal and External Factors that Impact on The Role of HR

Internal and external environmental factors play a major role in HRM. Organizational climate and culture, work organization and management style help to shape HR policies and practices, which, in turn, have an impact on the quality of candidates that a firm can attract, as well as its ability to retain desired workforce. The economic environment labour market conditions and unions play a role in determining the quality and variety of employees that can be attracted and retained. *There are external challenges that are dramatically changing the environment*

of HRM. These challenges include demographic trends and increasing workforce diversity, trends in technology, increasing government involvement in the employer-employee relationship, globalization, and changes in nature of jobs and work. After briefly describing the ongoing internal and external influences, first we will focus on the internal factors that are having the most significant impact on HRM.

1. **Internal Challenges/Factors :** *In the internal environment the factors that have the most direct impact on role of HR in an organization, includes organizational culture, organizational climate, work organization, management style, staff/management relations and budget process.*
 - (i) **Organizational Culture** consists of the core values, beliefs and assumptions that are widely shared by members of an organization. It serves a variety of purposes including communicating what the organization “believe in” and “stand for”, providing employees with a sense of direction and expected behaviour, shaping employee’s attitudes about themselves, the organization and their role. Culture is often conveyed through an organization’s mission statement, as well as through stories, myths, symbols, and ceremonies. Being aware of an organization’s culture at all levels is important because the culture defines appropriate and inappropriate behaviour. In some cultures, for example, creativity is stressed. In others, the status quo is valued. The accessibility of management and the ways in which decisions are made are reflections of an organization’s culture as well. *Having a positive culture earns critical acclaim and has a positive impact on both retention and recruitment.*
 - (ii) **Organizational Climate** is defined as the way in which organizational members perceive and characterize their environment in an attitudinal and value-based manner. Organizations have personalities, just like people. They can be friendly or unfriendly, open or secretive, rigid or flexible, innovative or stagnant. *The major factors influencing the climate are management’s leadership style, HR policies and practices, and amount and style of communication.* The type of climate that exists is generally reflected in the level of employee motivation, job satisfaction, performance and productivity, and thus has a direct impact on the role of HR department in an organization. The positive organisational climate has a direct and positive impact on employees and organisation’s performance.
 - (iii) **Management Style** especially towards employees is another factor affecting HR role in an organization. Effective management style provides leadership that uploads the values of and creates commitment to organization, builds the capacity for improved productivity and creates an environment that brings out the best in the staff and recognizes the value of multiculturalism.
 - (iv) **Staff-Management** relation serves a critical role in development and maintenance of trust and positive feelings in an organization. To establish good staff-management relation is another challenge for HR in an organization.
2. **External Challenges/Factor :** *The external environmental factors that have direct or indirect impact on the role of HR department in an organization includes economic environment, labour market condition, trade unions, demographic trends and workforce*

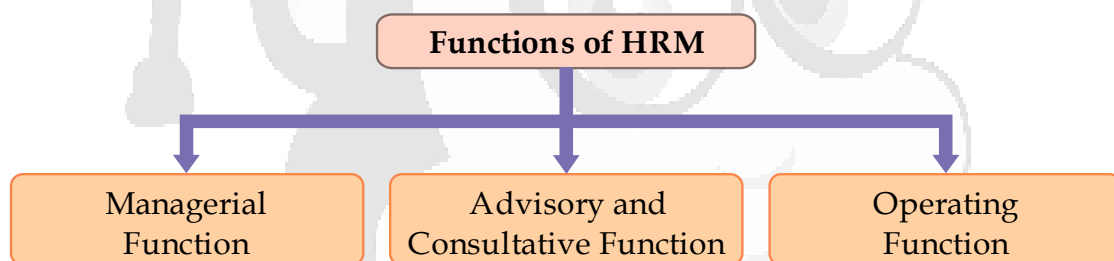
diversity, technology and legal regulations. To be effective, HR managers must monitor the environment on an ongoing basis; assess the impact of any factor and be proactive in implementing policies and programs to deal with such factors.

- (i) **The Economic Environment** has a major impact on business in general and the management of human resources in particular. Economic conditions affect supply and demand for products and services, which, in turn, have a dramatic impact on the labour force by affecting the number and types of employees required, as well as an employer's ability to pay wages and provide benefits. When the economy is healthy, companies often hire more workers as demand for products and services increases. Consequently, unemployment rates fall, there is more competition for qualified employees, and training and retention strategies increase in importance.
- (ii) **The Labour Market** is the geographic area from which an organization recruits employees and where individuals seek employment. The labour market is often different for various employee groups within an organization. While clerical and technical employees are generally recruited locally, the labour market for senior managers and highly specialized employees is often national or even condition, location, climate and other aspects of firm's physical surroundings international in scope. Many factors motivate candidates to seek employment with a particular organization, including type of business/industry, reputation, opportunities for advancement, compensation, job security, working can help or hinder a firm's ability to attract and retain employees. The labour market affects role of HR, because, the labour market is not controlled or influenced by any one factor, it is unstructured and often unpredictable. *A trade union is an officially recognized association of employees, practising a similar trade or employed in the same company or industry, who have joined together to present a united front and collective voice in dealing with management, with the aim of securing and furthering the social and economic interests and well-being of their membership.* Trade unions are listed as an external factor because they become an additional party in the relationship between the company and employees. The company is required by law to recognize the union and with it in good faith. Trade unions affect role of HR in several ways. Management has less discretion and flexibility in implementing and administering HR policies, procedures and practices when dealing with unionized employees.
- (iii) Another external factor that has an impact on role of HR in an organization is the **demographics trends and increasing workforce diversity**. *Demographics refer to the characteristics of the work force, which include age, sex, marital status, and education level.* Demographic changes are very important for HRM strategy. Different tools have to be applied to motivate older and women workforce. Similarly the lack of educated and skilled employees also affects the role of HR in an organization. Diversity refers to any attribute that human are likely to use to tell themselves, 'that person is different from me,' and thus includes such factors as race, gender,

age, values and cultural norms. Workforce diversity has a direct impact on HR in an organization. Policies and practices must be adapted to embrace the diversity of the dominant values represented in an organization's work force.

- (iv) **Technology's Impact** on HR cannot be ignored. The overall impact of technological changes is that labour- intensive blue-collar and clerical jobs are decreasing, while technical, managerial and professional jobs are increasing. This shift in employment opportunities has many implications for organizations. Jobs and organization's structures are being redesigned; new incentive and compensation plans are being instituted; revised job descriptions are being written; and new programs are being instituted for employee selection, evaluation and training/ retraining - all with the help of HR specialists.
- (v) **Various Laws** enacted by governments have had and will continue to have a dramatic impact on employer-employee relation. Some of the employment-related legislation is aimed at prohibiting discrimination in various aspects and terms and conditions of employment, such as human rights, employment equity and pay equity. Of course these legal changes complicate life for HR professionals by imposing demanding and detailed burdens on employers.

Functions of HRM



(i) Managerial Function

(a) Planning : HR manager is deciding the goals and formulating Policies and Programme to achieve the goals with forecasting and future course of action.

(b) Organizing : HR manager allocate task, establishing authority and responsibility for the employees and designing the structure of the organization.

(c) Directing : Directing is the process of Motivating, activating, leading and supervising people. By Directing HR Manager Influences the action of his subordinates and secures the willing and effective cooperation of employee for attaining organizational goals.

(d) Controlling : HR Manager conducts training programs, analysis labour turnover and direct morale surveys. It is concerned with checking, verifying and regulating to ensure that everything occurs.

(ii) Advisory or Consulting Functions

HR Manager gives advice and Counseling to top Executive members on good personnel policies. He provides training, evaluating, rewarding, counseling promoting, and hiring of employees at all levels.

(iii) Operative Function

Every Organization must procure, training, pay, motivate, maintain, and ultimately separate employees. Operative functions are concerned with specific activities of procuring, developing, compensating, integrating and maintaining an efficient work force.

(a) Staffing : *Staffing involves the entire hiring process from posting a job to negotiating a salary package.* Within the staffing function, there are four main steps :

1. **Development of a Staffing Plan :** This plan allows HRM to see how many people they should hire based on revenue expectations.
2. **Development of Policies to Encourage Multiculturalism at Work :** Multiculturalism in the workplace is becoming more and more important, as we have many more people from a variety of backgrounds in the workforce.
3. **Recruitment :** This involves finding people to fill the open positions.
4. **Selection :** In this stage, people will be interviewed and selected, and a proper compensation package will be negotiated. This step is followed by training, retention, and motivation.

(b) Development of Workplace Policies : *Every organization has policies to ensure fairness and continuity within the organization. One of the jobs of HRM is to develop the verbiage surroundings of these policies.* In the development of policies, HRM, management, and executives are involved in the process. For example, the HRM professional will likely recognize the need for a policy or a change of policy, seek opinions on the policy, write the policy, and then communicate that policy to employees. It is the key to note here that HR departments do not and cannot work alone. Everything they do needs to involve all other departments in the organization. Some examples of workplace policies might be the following :

- Discipline process policy
- Vacation time policy
- Dress code
- Ethics policy
- Internet usage policy

(c) Compensation and Benefits Administration : *HRM professionals need to determine that compensation is fair, meets industry standards, and is high enough to entice people to work for the organization.* Compensation includes anything the employee receives for his or her work. In addition, HRM professionals need to make sure the pay is comparable to what other people performing similar jobs are being paid. This involves setting up pay systems that take into consideration the number of years with the organization, years of experience, education, and similar aspects. Examples of employee compensation include the following :

- Pay
- Health benefits
- Retirement plans
- Stock purchase plans
- Vacation time
- Sick leave
- Bonuses
- Tuition reimbursement

(d) Retention : *Retention involves keeping and motivating employees to stay with the organization. Compensation is a major factor in employee retention, but there are other factors as well. Ninety percent of employees leave a company for the following reasons:*

- Issues around the job they are performing
- Challenges with their manager
- Poor fit with organizational culture
- Poor workplace environment

As a result, managers often try to change their compensation packages to keep people from leaving, when compensation isn't the reason they are leaving at all.

(e) Training and Development : *Once we have spent the time to hire new employees, we want to make sure they not only are trained to do the job but also continue to grow and develop new skills in their job. This results in higher productivity for the organization. Training is also a key component in employee motivation. Employees who feel they are developing their skills tend to be happier in their jobs, which results in increased employee retention.*

Examples of training programs might include the following :

- Job skills training, such as how to run a particular computer program
- Training on communication
- Team-building activities
- Policy and legal training, such as sexual harassment training and ethics training

(f) Dealing with Laws Affecting Employment : *Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of these laws:*

- Discrimination laws
- Health-care requirements
- Compensation requirements such as the minimum wage
- Worker safety laws
- Labor laws

The legal environment of HRM always changes, so HRM must always be aware of changes taking place and then communicate those changes to the entire management organization. Rather than presenting a chapter focused on HRM laws, we will address these laws in each relevant chapter.

(g) Worker Protection : *Safety is a major consideration in all organizations. Oftentimes new laws are created with the goal of setting federal or state standards to ensure worker safety. Unions and union contracts can also impact the requirements for worker safety in a workplace. It is up to the human resource manager to be aware of worker protection requirements and ensure the workplace is meeting both federal and union standards. Worker protection issues might include the following:*

- Chemical hazards
- Heating and ventilation requirements
- Use of "no fragrance" zones
- Protection of private employee information

Knowing the law regarding worker protection is generally the job of human resources. In some industries it is extremely important; in fact, it can mean life or death.

(h) Communication : *Besides these major roles, good communication skills and excellent management skills are key to successful human resource management as well as general management.*

(i) Awareness of External Factors : In addition to manage internal factors, the HR manager needs to consider the outside forces at play that may affect the organization. *Outside forces, or external factors, are those things the company has no direct control over; however, they may be things that could positively or negatively impact human resources.* External factors might include the following:

- Globalization and offshoring
- Changes to employment law
- Health-care costs
- Employee expectations
- Diversity of the workforce
- Changing demographics of the workforce
- A more highly educated workforce
- Layoffs and downsizing
- Technology used, such as HR databases
- Increased use of social networking to distribute information to employees

For example, the recent trend in flexible work schedules (allowing employees to set their own schedules) and telecommuting (allowing employees to work from home or a remote location for a specified period of time, such as one day per week) are external factors that have affected HR. HRM has to be aware of these outside issues, so they can develop policies that meet not only the needs of the company but also the needs of the individuals.

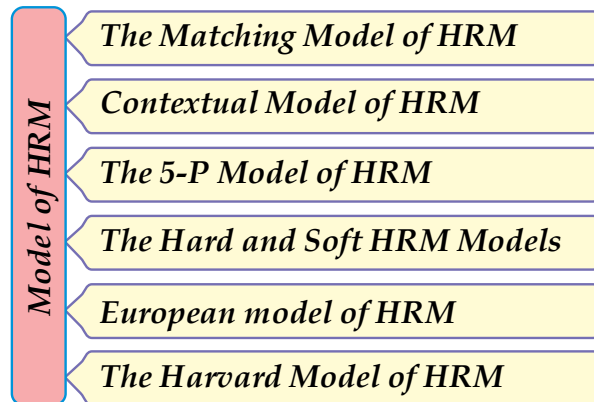
Theories of Human Resources Management



'Human resource management appears to lean heavily on theories of commitment and motivation and other ideas derived from the field of organizational behavior.' A number of other theories, especially the resource-based view, have contributed to the understanding of purpose and meaning of HRM. These theories are summarized below :

- (a) **Commitment :** *The significance in HRM theory of organizational commitment (the strength of an individual's identification with, and involvement in, a particular organization) was highlighted in a seminal Harvard Business Review.*
- (b) **Motivation :** *Motivation theory explains the factors that affect goal-directed behaviour and therefore influences the approaches used in HRM to enhance engagement (the situation in which people are committed to their work and the organization and are motivated to achieve high levels of performance).*
- (c) **The Resource-Based View :** *Resource-based theory expressed as 'the resource based view' states that competitive advantage is achieved if a firm's resources are valuable, rare and costly to imitate. It is claimed that HRM can play a major part in ensuring that the firm's human resources meet these criteria.*
- (d) **Organizational Behavior Theory :** *Organizational behavior theory describes how people within their organizations act individually or in groups and how organizations function in terms of their structure, processes and culture.*
- (e) **Contingency Theory :** *Contingency theory states that HRM practices are dependent on the organization's environment and circumstances. The need to achieve congruence between an organization's HR strategies, policies and practices and its business strategies within the context of its external and internal environment. This is a key concept in strategic HRM.*
- (f) **Social Exchange Theory :** *Employees will reciprocate their contribution to the organization if they perceive that the organization has treated them well.*
- (g) **Transaction Costs Theory :** *Transaction costs economics assumes that businesses develop organizational structures and systems that economize the costs of the transactions (interrelated exchange activities) that take place during the course of their operations.*
- (h) **Agency Theory :** *Agency theory states that the role of the managers of a business is to act on behalf of the owners of the business as their agents. But there is a separation between the owners (the principals) and the agents (the managers) and the principals may not have complete control over their agents.*
- (i) **Institutional Theory :** *Organizations conform to internal and external environmental pressures in order to gain legitimacy and acceptance.*
- (j) **Human Capital Theory :** *Human capital theory is concerned with how people in an organization contribute their knowledge, skills and abilities to enhance organizational capability and the significance of that contribution.*
- (k) **AMO Theory :** *The 'AMO' formula as set out by Boxall and Purcell (2003) states that performance is a function of Ability + Motivation + Opportunity to Participate.*

Models of HRM



The most familiar models defines what HRM is and how it operates are as follows :

(a) The Matching Model of HRM : Fombrun et al (1984) proposed the 'matching model', which indicated that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy.

(b) Contextual Model of HRM : The contextual model of HRM emphasizes the importance of environmental factors by including variables such as the influence of social, institutional and political forces that have been underestimated in other models.

(c) The 5-P Model of HRM : As formulated by Schuler (1992) the 5-P model of HRM describes how HRM operates under the five headings of :

1. **HR Philosophy :** A statement of how the organization regards its human resources, the role they play in the overall success of the business, and how they should be treated and managed.
2. **HR Policies :** These provide guidelines for action on people-related business issues and for the development of HR programs and practices based on strategic needs.
3. **HR Programs :** These are shaped by HR policies and consist of coordinated HR efforts intended to initiate and manage organizational change efforts prompted by strategic business needs.
4. **HR Practices :** These are the activities carried out in implementing HR policies and programs. They include resourcing, learning and development, performance and reward management, employee relations and administration.
5. **HR Processes :** These are the formal procedures and methods used to put HR strategic plans and policies into effect.

(d) The Hard and Soft HRM Models : Storey (1989) distinguished between the 'hard' and 'soft' versions of HRM. He wrote that: 'The hard one emphasizes the quantitative, calculative and business-strategic aspects of managing human resources in as "rational" a way as for any other economic factor. By contrast, the soft version traces.

Its roots to the human-relations school; it emphasizes communication, motivation and leadership.'

(e) European model of HRM : Brewster (1993) described a European model of HRM as follows :

- *Environment* - established legal framework.

- *Objectives* - organizational objectives and social concern - people as a key resource.
- *Focus* - cost/benefits analysis, also environment.
- *Relationship with employees* - union and non-union.
- *Relationship with line managers* - specialist/ line liaison.
- *Role of HR specialist* - specialist managers - ambiguity, tolerance, flexibility.

(f) **The Harvard Model of HRM** : Beer et al (1984) produced what has become known as the “Harvard framework”. They started with the proposition that Human resource management (HRM)” involves all management decisions and actions that affect the nature of the relationship between the Organization and Employees- “Its human resources”.

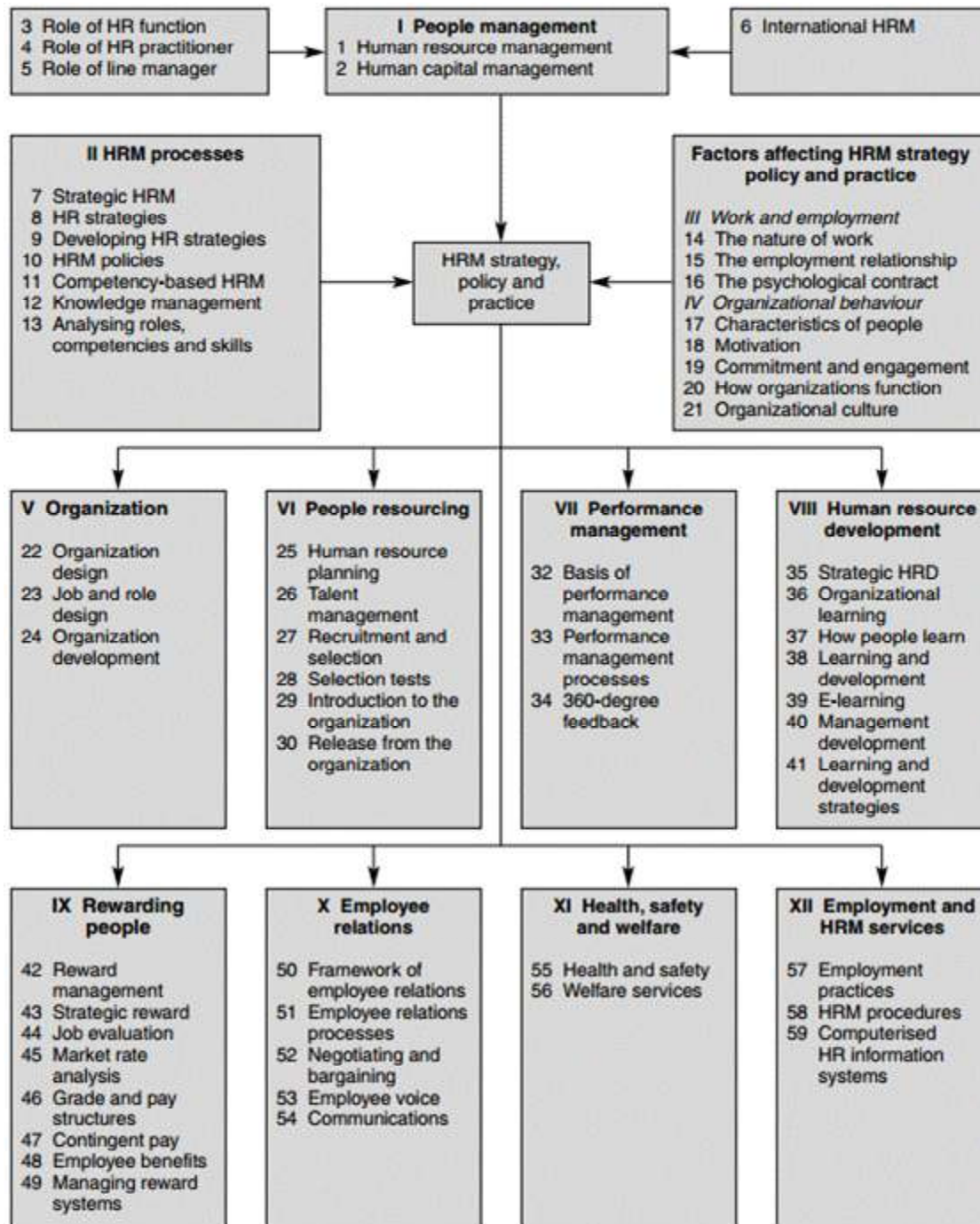
They Believed that Today many pressures are demanding a broader, more comprehensive and more strategic perspective with regard to the organization’s human resources. They also stressed that it was necessary to adopt a longer term perspective in managing people and consideration of people as a potential asset rather than merely a variable cost.

HRM Process



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